

Annual Report 2016



Aik Dar Band Hazar Khulay

MCB

**PAKISTAN ISLAMIC STOCK
FUND**

MCB-Arif Habib Savings and Investments Limited

Rated: 'AM2++' by PACRA

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Vision

To become synonymous with Savings.

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Muhammad Asif Mehdi	
Company Secretary	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited United Bank Limited Habib Bank Limited Dubai Islamic Bank Pakistan Limited Askari Bank Limited Bank Al-Habib Limited Standard Chartered Bank Pakistan Limited Habib Metropolitan Bank Limited Summit Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Rating	AM2 ++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2016

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Islamic Stock Fund** accounts review for the year ended June 30th, 2016.

EQUITIES MARKET OVERVIEW

The local equity market measured by KSE-100 Index gained 9.8% during FY16, witnessing its weakest performance during last seven years. While the macro environment in general improved significantly, the same wasn't evident in the equity returns as rout in commodities and exodus of foreign investors from local equity market kept the benchmark under pressure. Foreigners selling remained unabated, dumping USD 281 million worth of equities during the year. The selling during the period was primarily absorbed by NBFCs with net buying of USD 187.8 million, while individuals bought USD 127.7 million of equities.

Cement sector led the sector charts, posting a gain of 29.0% during the year, as robust cement dispatches along with the potential growth from CPEC lead activities kept investor interests alive in the sector. Power sector rallied by 19.8% during the period, after 75 bps of cut in discount rate brought the yield plays into limelight. Similarly, pharmaceutical sector gained traction, returning an astounding 43.0% during the period as Drug Regulatory Authority ("DRAP") approved the pricing policy for pharmaceutical companies. On the flip side, the index heavyweight Oil & Gas Exploration sector underperformed the benchmark, losing 5.4% during the year. The sector performance followed the trend in crude oil prices (Arab Light) after it declined by 22.0%, as fears of oversupply resurfaced after the sanctions on Iran were lifted. Commercial Banks also remain laggards, returning a mere 2.5% after the central bank reduced the discount rate by 75 bps during the year. Similarly, fertilizer sector also returned only 2.8%, after concerns on the pricing power of the fertilizer sector emerged as international urea prices went below the local prices for the first time.

Pakistan's reclassification to the Emerging Market index was the headline news during the year, as expectations of upgrade were finally met. Going forward, we believe the market has a strong potential of re-rating owing to expected inflows from Emerging Market Funds. It is expected that net inflow of USD 300-400 million would flow, following Pakistan's reclassification. Thus, we recommend investors to focus on long term value and potential offered by the bourse to build positions in equity funds.

FUND PERFORMANCE

During the period, PSAF delivered a return of 3.9% as compared to KMI 30 index return of 15.53%. Overall equity exposure of the fund stood at 89.8% at the end of the period as compared to 34.9% at June 30, 2015. This low equity exposure figure reflects sell-off of non-shariah compliant stocks and conversion to Islamic stock fund. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the period, the fund realigned its sector exposure by decreasing allocation in cash and other assets and increasing exposure in cements and other equities.

The Net Assets of the Fund as at June 30, 2016 stood at Rs. 1,123 million as compared to Rs. 666 million as at June 30, 2015 registering an increase of 68.6%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 10.62 as compared to opening NAV of Rs. 10.27 per unit as at June 30, 2015 registering an increase of Rs. 0.35 per unit.

FUTURE OUTLOOK

Given current global economic environment, the local economic scorecard is expected to remain stable. The oil prices are expected to remain range bound with refineries having ample stock piles of petroleum products, increase in rig counts along with recovery in oil prices, along with low probability of major oil producers reaching any agreement to curtail supply. The weak global outlook evident from slow down in China, Bank of Japan and European Central Bank adopting negative interest rates is also a concern for the commodities market along with global uncertainty after Britain exited European Union. The weak global commodity outlook would keep import bill on the lower end, but as a result recovery in exports may also be delayed.

The average Consumer Price Index is expected to remain below 5% for the year. Whereas, stability in oil prices & exchange rate would allow inflation over the first half to remain well anchored around 4% thus framework remains favorable for a stable monetary policy environment with room for easing subject to stability on external front.

Fiscal deficit is expected to remain controlled and progressive upward economic growth targets appear achievable with enough room for the government to bring required structural changes in the economy. The incumbent government's aggressive plans for power sector would also weigh on the import bill with extensive import of power machinery keeping current account in check.

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2016

The Pakistani rupee is expected to show further resilience backed by strong foreign inflows lined up for next year. Risks to external account remain high as the major support in balance of payment account is through flows that are uncertain and self fulfilling as they are also contingent upon favorable external account environment.

The macro stability along with China Pakistan Economic Corridor is expected to provide impetus to the construction and power space. Furthermore, expansionary cycle along with stable interest rate environment is expected to provide better global positioning compared with other emerging market economies. Construction and steel sector is expected to remain the proxy for infrastructure led economic growth. Long term stability in oil prices is expected to provide impetus to exploration & production sector driven by exploration growth. Banks are expected to gain limelight with stability in interest rates along with growth in advances and focus is on the attractive Price to Book ratios. The up gradation into the emerging markets index would provide impetus for foreign flows into KSE-100 index and would lead to re-rating of market towards higher multiples.

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance and the Board of Directors of Management Company is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements present fairly the state of affairs, the results of operations, cash flows and changes in unit holders' fund.
- b. Proper books of accounts of the fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company.
- k. During the year Chief Executive Officer has attended the Directors' Training Program organized by the Institute of Chartered Accounts in Pakistan. (All other the directors have completed the course or they are exempted from attending training course due to sufficient working experience.)
- l. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- m. The details of attendance of Board of Directors meeting is disclosed in note 21 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2016:

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2016

1. Meeting of the Audit Committee.

During the year, four (4) meetings of the Audit Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1 Mr. Haroun Rashid (Chairman)	4	4	4	-
2 Mr. Samad A. Habib	4	4	3	1
3 Mr. Ahmed Jahangir	4	4	4	-
4 Mr. Nasim Beg*	-	-	-	-

- With effect from April 18, 2016, he was added as a member of the Audit Committee after which no meeting of the Audit Committee was held during the year.

2. Meeting of the Human Resource and Remuneration Committee.

During the year, six (6) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1 Dr. Syed Salman Shah	6	6	6	-
2 Mr. Nasim Beg	6	6	5	1
3 Mr. Ahmed Jahangir	6	6	5	1
4 Mr. Haroun Rashid	6	6	3	3
5 Mr. Yasir Qadri *	2	2	2	-
6 Mr. Muhammad Saqib Saleem **	1	1	1	-

* Resigned from the post of CEO after 2nd meeting.

** Attended 6th meeting as Acting CEO.

- n. The trades in the Units of the Fund was carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer and Company Secretary, Chief Financial Officer and Chief Internal Auditor of the Management Company and their spouses and minor children.

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Saqib Saleem	Chief Executive Officer	-	-	-
2	Muhammad Asif Mehdi Rizvi	Chief Financial Officer	12,169.31	-	50.2271
3	Abdul Basit	Company Secretary	-	-	-
4	Fahad Sultan	Chief Internal Auditor	-	-	-

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2016

External Auditors

The fund's external auditors, Ernst & Young Ford Rhodes Sidat Hyder, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2017. The audit committee of the Board has recommended reappointment of Ernst & Young Ford Rhodes Sidat Hyder as auditors of the fund for the year ending June 30, 2017.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Muhammad Saqib Saleem

Chief Executive Officer

August 05, 2016

ڈائریکٹرز رپورٹ

3	3	6	6	4. جناب ہارون رشید
-	2	2	2	5. جناب یاسر قادری *
-	1	1	1	6. جناب محمد ثاقب سلیم **

* دوسری میٹنگ کے بعد سی ای او کے عہدے سے مستعفی ہو گئے۔

** چھٹی میٹنگ میں قائم مقام سی ای او کے طور پر شرکت کی۔

n. دوران سال مینجمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر اور کمپنی سیکرٹری، چیف فنانشل آفیسر اور چیف انٹرنل آڈیٹر اور ان کے شوہر/کی بیوی اور نابالغ بچوں نے فنڈ کے پوٹس کی خرید و فروخت کی۔

نمبر شمار	نام	عہدہ	سرمایہ کاری	Redemption	ڈیویڈنڈ کی تقسیم
پوٹس کی تعداد					
1.	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	-	-	-
2.	محمد آصف مہدی رضوی	چیف فنانشل آفیسر	12,169.31	-	50.2271
3.	عبدالباسط	کمپنی سیکرٹری	-	-	-
4.	فہد سلطان	چیف انٹرنل آڈیٹر	-	-	-

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ارنسٹ اینڈ ینگ فورڈ رھوڈز سداٹ حیدر نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی کا اظہار کیا ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر ارنسٹ اینڈ ینگ فورڈ رھوڈز سداٹ حیدر کی دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

05 اگست 2016ء

ڈائریکٹرز رپورٹ

ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

k. دوران سال دی انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے منعقدہ ڈائریکٹرز تربیتی پروگرام میں چیف ایگزیکٹو آفیسر نے شرکت کی۔ (باقی تمام ڈائریکٹرز تربیتی کورس مکمل کر چکے ہیں، یا خاطر خواہ تجربے کی بنیاد پر اس سے مستثنیٰ ہیں۔)

i. این بی ایف سی کے قواعد و ضوابط اور کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی pattern مالیاتی گوشواروں کے ساتھ ملحق ہے۔

m. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات ملحقہ مالیاتی گوشواروں کے نوٹ 21 میں پیش کی گئی ہیں۔ 30 جون 2016ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

1. آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی چار (04) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
نام	منعقدہ میٹنگز کی تعداد	مطلوبہ حاضری	حاضری	منظور شدہ رخصت
1. جناب ہارون رشید (چیرمین)	4	4	4	-
2. جناب صدائے حبیب	4	4	3	1
3. جناب احمد جہانگیر	4	4	4	-
4. جناب نسیم بیگ *	-	-	-	-

* آپ کو 18 اپریل 2016ء کو آڈٹ کمیٹی کے رکن کی حیثیت سے شامل کیا گیا جس کے بعد آڈٹ کمیٹی کی کوئی میٹنگ نہیں ہوئی۔

2. ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی چھ (06) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
نام	منعقدہ میٹنگز کی تعداد	مطلوبہ حاضری	حاضری	منظور شدہ رخصت
1. جناب سید سلمان شاہ	6	6	6	-
2. جناب نسیم بیگ	6	6	5	1
3. جناب احمد جہانگیر	6	6	5	1

ڈائریکٹر رپورٹ

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے کوشاں ہے، اور مینجمنٹ کمپنی کا بورڈ آف ڈائریکٹرز عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق کی بہترین طریقوں سے متعلق شقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے جوشق ہے اس کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو با تفصیل واضح کیا گیا ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

- a. مالیاتی گوشوارے یونٹ ہولڈرز کے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- b. فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔
- c. مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔
- d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non-Banking فنانس کمپنیز (اسٹابلشمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non-Banking فنانس اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز، 2008ء، متعلقہ ڈسٹریکٹس کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔
- e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور نافذ ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

f. کمپنی کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔

g. لسٹنگ قوانین میں تفصیلاً بیان کردہ کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔

h. کارپوریٹ گورننس کے ضابطہء اخلاق کے مطابق مطلوبہ کلیدی مالیاتی اعداد و شمار کا خلاصہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

i. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) لمحہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔

j. پراویڈنٹ فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ مینجمنٹ کمپنی کی

ڈائریکٹر رپورٹ

اس وجہ سے بھی کہ اس بات کی توقع بہت کم ہے کہ بڑے آئل پروڈیوسرز رسد کو کم کرنے کے مقصد سے کوئی معاہدہ کریں گے۔ چین میں مندی سے کمزور عالمی صورتحال کی عکاسی ہوتی ہے، اور بینک آف جاپان اور یورپین سینٹرل بینک کا انٹریسٹ کی منفی شرحیں اختیار کرنا بھی اشیاء کی مارکیٹ کے لئے ایک تشویش ناک امر ہے، اور اس کے ساتھ ساتھ برطانیہ کے یورپی یونین کو خیر باد کہہ دینے کے بعد عالمی سطح پر غیر یقینی صورتحال۔ عالمی سطح پر اشیاء کی کمزور صورتحال کے باعث درآمداتی بل کمزور رہے گا لیکن اس کے نتیجے میں برآمدات کی وصولی بھی تاخیر کا شکار ہو سکتی ہے۔

سال مذکورہ کا اوسط کنزیومر پرائس انڈیکس متوقع طور پر 5% سے کم رہے گا۔ جبکہ تیل قیمتوں اور زر مبادلہ کی شرح میں استحکام کی بدولت افراط زر پہلی ششماہی میں تقریباً 4% کی سطح پر قابو میں رہے گی، چنانچہ ایک مستحکم مانیٹری پالیسی کے ماحول کے لئے فریم ورک موافق ہے اور اس میں کسی عنصر کو بیرونی جہت میں مستحکم کرنے کی گنجائش موجود ہے۔

مالیاتی خسارہ متوقع طور پر قابو میں رہے گا اور ترقی کے مثبت اہداف قابل حصول نظر آ رہے ہیں، اور حکومت کے پاس معیشت میں ساخت سے متعلق مطلوبہ تبدیلیاں لانے کی گنجائش موجود ہے۔ علاوہ ازیں، بجلی کے شعبے کے لئے حکومت کے ناگزیر متحرک منصوبے درآمداتی بل پر بوجھ ڈالیں گے اور بجلی کی مشینری کی بڑے پیمانے پر درآمد سے کرنٹ اکاؤنٹ قابو میں رہے گا۔

پاکستانی روپیہ متوقع طور پر مزید لچک کا مظاہرہ کرے گا کیونکہ اسے اگلے سال بھر پور غیر ملکی آمدات کی پشت پناہی حاصل ہوگی۔ ایکسٹرنل اکاؤنٹ کے خطرات بدستور بلند ہیں کیونکہ ادائیگیوں کے توازن کے اکاؤنٹ میں بڑی مدد آمدات سے ہوتی ہے، جو غیر یقینی اور ناگزیر ہیں، جس کی ایک وجہ یہ بھی ہے کہ وہ بیرونی اکاؤنٹ کے موافق ماحول پر منحصر ہیں۔

مجموعی استحکام اور اس کے ساتھ ساتھ چین پاکستان معاشی راہداری متوقع طور پر تعمیر اور بجلی کے شعبے میں تیزی لائیں گے۔ علاوہ ازیں، توسیعی چکر اور اس کے ساتھ ساتھ انٹریسٹ کی شرح کے مستحکم ماحول سے دیگر ابھرتی ہوئی مارکیٹ کی معیشتوں کے مقابلے میں عالمی سطح پر بہتر درجہ بندی متوقع ہے۔ تعمیر اور اسٹیل کے شعبے متوقع طور پر انفراسٹرکچر پر مبنی معاشی ترقی کے متبادل بنے رہیں گے۔ تیل کی قیمتوں میں طویل المیعاد استحکام متوقع طور پر ایکسپلوریشن اور پیداوار کے شعبے کو ایکسپلوریشن میں ترقی کے ذریعے تحریک فراہم کرے گا۔ بینک متوقع طور پر انٹریسٹ کی شرح میں استحکام اور ایڈوانسز میں اضافے کے سبب منظر عام پر آئیں گے، اور پُرکشش Price to Book ratios پر سب کی نظریں ہیں۔ ابھرتی ہوئی مارکیٹس میں پاکستان کی دوبارہ درجہ بندی سے غیر ملکی آمدات کے لئے KSE-100 انڈیکس میں تیزی آ سکتی ہے اور مارکیٹ کی شرح کے دوبارہ تعین اور اس میں اضافے کی راہ ہموار ہوگی۔

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اُبھرتی ہوئی مارکیٹس کے انڈیکس میں پاکستان کی دوبارہ درجہ بندی اس سال کی شہ سُرخ تھی، کیونکہ اس پیش رفت کی توقعات بالآخر پوری ہوئیں۔ آگے بڑھتے ہوئے، ہمیں اعتماد ہے کہ مارکیٹ میں شرحیں دوبارہ طے کرنے کی بھرپور استعداد موجود ہے کیونکہ اُبھرتی ہوئی مارکیٹ کے فنڈز سے آمدات متوقع ہیں۔ اُمید کی جارہی ہے کہ پاکستان کی دوبارہ درجہ بندی کے بعد 300-400 ملین ڈالر کی آمد ہوگی۔ چنانچہ سرمایہ کاروں کو ہمارا مشورہ ہے کہ اسٹاک مارکیٹ کی فراہم کردہ طویل المیعاد قدر اور استعداد پر توجہ مرکوز کریں تاکہ ایکویٹی فنڈز میں جگہ بنائی جاسکے۔

فنڈ کی کارکردگی

زیرِ جائزہ مدت کے دوران PSAF نے 3.9% منافع کمایا جبکہ KMI 30 انڈیکس کا منافع 15.53% تھا۔ ایکویٹیز میں فنڈ کی مجموعی شمولیت اختتامِ مدت پر 89.8% تھی جبکہ 30 جون 2016ء کو 34.9% تھی۔ ایکویٹی کی شمولیت کی یہ پست سطح شریعت سے مطابقت نہ رکھنے والے اسٹاکس کی فروخت اور اسلاک اسٹاک فنڈ میں تبدیلی کی عکاسی کرتی ہے۔ دورانِ سہ ماہی متعدد بار فنڈ کی سرمایہ کاری کا لائحہ عمل تبدیل کیا گیا تاکہ اسے مختلف شعبوں اور کمپنی کی سطح کے بنیادی ترقیاتی اقدامات کے شانہ بشانہ چلایا جاسکے۔ دورانِ مدت نقد اور دیگر اثاثوں میں اختصاص میں کمی اور سیمنٹ اور دیگر ایکویٹیز میں شمولیت میں اضافے کے ذریعے فنڈ کی شعبے میں شمولیت کو دوبارہ ہم آہنگ کیا گیا۔

30 جون 2016ء کو فنڈ کے net اثاثے 1,123 ملین روپے تھے جبکہ 30 جون 2015ء کو 666 ملین روپے تھے، یعنی 68.6% اضافہ ہوا۔

30 جون 2016ء کو Net Asset Value (NAV) فی یونٹ 10.62 روپے تھی جبکہ 30 جون 2015ء کو ابتدائی NAV فی یونٹ 10.27 روپے تھی، یعنی 0.35 روپے فی یونٹ اضافہ ہوا۔

مستقبل کی صورتحال

موجودہ عالمی معاشی ماحول کو دیکھتے ہوئے مقامی معاشی صورتحال متوقع طور پر مستحکم رہے گی۔ تیل کی قیمتیں آئل ریفائنریز میں پٹرول کی مصنوعات کے خاطر خواہ اسٹاک، rig کی تعداد میں اضافے اور تیل کی قیمتوں کی وصولی کی وجہ سے متوقع طور پر قابلِ رسائی رہیں گی، اور

بورڈ آف ڈائریکٹرز کی طرف سے ”ایم سی بی پاکستان اسلامک اسٹاک فنڈ“ کے 30 جون 2016ء کو ختم ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

PSX-100 انڈیکس کے ذریعے پیمائش کردہ مقامی ایکویٹی مارکیٹ نے مالی سال 2016ء کے دوران 9.8% ترقی کی، جو گزشتہ سات برسوں میں اس کی کمزور ترین کارکردگی ہے۔ اگرچہ مجموعی صورتحال میں قابل ذکر بہتری آئی، لیکن ایکویٹی کے منافع میں اس کی عکاسی نہیں ہوئی کیونکہ اشیاء میں کمی اور مقامی مارکیٹ سے غیر ملکی سرمایہ کاروں کے بڑے پیمانے پر خروج نے معیار کو دباؤ میں رکھا۔ غیر ملکیوں کی فروخت میں کوئی کمی نہیں ہوئی جس سے دوران سال 281 ملین ڈالر مالیت کی ایکویٹیز ضائع ہوئیں۔ مذکورہ مدت میں ہونے والی فروخت کا اثر بنیادی طور پر NBFCs نے قبول کیا اور 187.8 ملین ڈالر کی net خریداری ہوئی جبکہ انفرادی طور پر 127.7 ملین ڈالر کی ایکویٹیز خریدی گئیں۔

سیمنٹ کا شعبہ مذکورہ مدت میں 29.0% ترقی کے ساتھ سب سے آگے رہا۔ بڑے پیمانے پر سیمنٹ کی فروخت اور اس کے ساتھ CPEC کے زیر اہتمام سرگرمیوں سے ہونے والی متوقع ترقی نے اس شعبے میں سرمایہ کاروں کی دلچسپی کو قائم رکھا۔ بجلی کے شعبے نے 19.8% ترقی کی جب ڈسکاؤنٹ کی شرح میں 75 bps کمی سے پیداواری قوتیں منظر عام پر آئیں۔ اسی طرح، ادویات کے شعبے میں بھی تیزی آئی اور مذکورہ مدت میں 43.0% کی شاندار ترقی ہوئی جب ڈرگ ریگلیو لیٹری اتھارٹی پاکستان ("DRAP") نے ادویات کے اداروں کے لئے قیمتوں کے تعین کی پالیسی کی منظوری دے دی۔ دوسری جانب بھاری انڈیکس کا حامل آئل اینڈ گیس ایکسپلوریشن کا شعبہ معیار کے مطابق کام نہیں کر سکا اور اسے دوران سال 5.4% خسارہ ہوا۔ یہی رجحان خام تیل کی قیمتوں (Arab Light) میں بھی رہا اور اس میں 22.0% کا خسارہ ہوا کیونکہ ایران پر عائد پابندیاں اٹھائے جانے کے بعد ضرورت سے زیادہ رسید کا خوف دوبارہ پیدا ہو گیا۔ کمرشل بینک بھی سست روی کا شکار رہے اور صرف 2.5% منافع دیا جبکہ سینٹرل بینک نے دوران سال ڈسکاؤنٹ کی شرح کو 75 bps کم کر دیا تھا۔ اسی طرح کھاد کے شعبے نے بھی صرف 2.8% منافع دیا جب کھاد کے شعبے کی قیمتوں کے تعین کی طاقت پر سوال اٹھے کیونکہ یوریا کی بین الاقوامی قیمتیں پہلی مرتبہ مقامی قیمتوں سے بھی کم ہو گئیں۔

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2016

Fund Type and Category

An Open-End Shariah Compliant equity scheme.

Fund Benchmark

The benchmark for PISF is KMI 30 Index.

Investment Objective

The objective of the Fund is to provide investors long term capital appreciation from its investment in Shariah Compliant Equity Securities.

Investment Strategy

MCB Pakistan Islamic Stock Fund (PISF) is an open end equity fund that invests in Shariah Compliant stocks listed in Pakistan. The fund is actively managed and fundamental research drives the investment process. Fundamental outlook of sectors/companies and DCF (discounted cash flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the fund's portfolio is high quality liquid stocks. The funds which are not invested in equities are required to be kept in Islamic bank deposits and Islamic money market instruments/ placements.

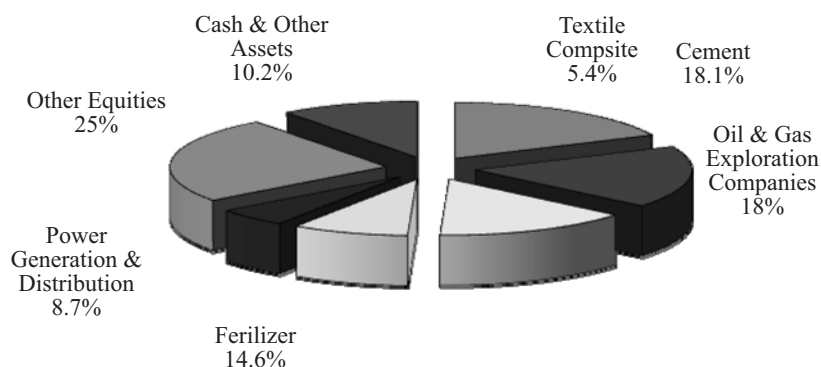
Manager's Review

During the period, PISF delivered a return of 3.9% as compared to KMI 30 index return of 15.53%. Overall equity exposure of the fund stood at 89.8% at the end of the period as compared to 34.9% at June 30, 2015. This low equity exposure figure reflects sell-off of non-shariah compliant stocks and conversion to Islamic stock fund. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the period, the fund realigned its sector exposure by decreasing allocation in cash and other assets and increasing exposure in cements and other equities.

The Net Assets of the Fund as at June 30, 2016 stood at Rs. 1,123 million as compared to Rs. 666 million as at June 30, 2015 registering an increase of 68.6%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 10.62 as compared to opening NAV of Rs. 10.27 per unit as at June 30, 2015 registering an increase of Rs. 0.35 per unit.

Asset Allocation as on June 30, 2016 (% of total assets)



Awais Abdul Sattar, CFA
Fund Manager

Karachi: August 05, 2016

TRUSTEE REPORT TO THE UNIT HOLDER FOR THE YEAR ENDED JUNE 30, 2016

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S. Main Shahra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN ISLAMIC STOCK FUND

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Islamic Stock Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2016 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 9, 2016



REPORT OF THE SHARIAH ADVISORY BOARD

REPORT OF THE SHARIAH ADVISORY BOARD

Alhamdulillah, the year under review was first full year of operations of MCB Pakistan Islamic Stock Fund (the Fund). We, the Shariah Advisory Board of the Fund, are issuing this report in accordance with the clause 3.8 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of M/s MCB Arif Habib Savings and Investments limited (MCBAH), the management company of the fund, to establish and maintain a system of internal controls to ensure compliance with Shariah guidelines. Our responsibility is to express an opinion, based on our review of the representation made by the management, to the extent where such compliance can be objectively verified.

A review is limited primarily to inquire to the Management Company's personnel and review of various documents prepared by the management company to comply with prescribed criteria. In the light of the above, we hereby certify that:

- We have reviewed and approved the modes of investment of MCB-PISF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of MCB PISF by Management Company are Shariah Compliant and in accordance with the criteria established.
- On the basis of information provided by the Management Company, all the operations of MCB-PISF for the period from July 01, 2015 to June 30, 2016 have been in compliance with Shariah principles.

During the year an amount of Rupees 738,010 was transferred to the charity account. The total amount of charity payable as at June 30, 2016 amounts to Rs. 738,010.

May Allah bless us with Tawfeeq to accomplish these cherished tasks, make us successful in this world and in the hereafter, and forgive our mistakes.

Karachi: August 05, 2016



Dr Muhammad Zubair Usmani

For and on behalf of Shariah Advisory Board

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (the Management Company) of MCB Pakistan Islamic Stock Fund ("the fund") to comply with the Code of Corporate Governance contained in clause no. 5.19.23 of Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

MCB Pakistan Islamic Stock Fund is an open end mutual fund and is listed on Pakistan Stock Exchange Limited. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, MCB-Arif Habib Saving and Investment Limited, on behalf of the Fund have applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors (the Board). At present the Board includes

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
Executive Directors	<ol style="list-style-type: none"> 1. Mr. Muhammad Saqib Saleem - Chief Executive Officer
Non – Executive Directors	<ol style="list-style-type: none"> 1. Mian Mohammad Mansha - Chairman 2. Mr. Nasim Beg - Vice Chairman 3. Mr. Ahmed Jehangir 4. Mr. Samad Habib

The independent directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, a casual vacancy occurring on January 04, 2016 consequent to the resignation of the former Chief Executive Officer of the Company was filled up by the directors the same day through the appointment of Mr Muhammad Saqib Saleem.
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board. The Board has also approved the appointment, remuneration and terms and conditions of appointment of the Chief Executive Officer.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, the Chief Executive Officer of the Management Company and an independent director attended directors' training programs conducted by the Institute of Chartered Accountants of Pakistan (ICAP). All the remaining directors on the Board already possess the required training or qualification and experience as required by the Code.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
11. The Directors' Report of the Management Company for the year ended June 30, 2016 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements were duly endorsed by the Chief Executive Officer and the Chief Financial Officer of the Management Company before approval of the Board.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units of the fund other than that disclosed in the pattern of unit holding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee for the Management Company. It comprises four members who are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results and as required by the Code. The terms of reference of the Committee have been approved by the Board and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of five members, of whom four are non-executive directors including the chairman of the committee, who is also an independent director.
18. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the fund and the Management Company.
19. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done by the board in the meeting held on August 05, 2016.
20. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares/units of the Management Company/Fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the net assets value of the fund/market price of the Management Company's shares, was determined and intimated to directors, employees and the stock exchange.
23. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



Muhammad Saqib Saleem
Chief Executive Officer

Karachi: August 05, 2016

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE



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REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of MCB-Arif Habib Savings and Investments Limited, the Management Company of **MCB Pakistan Islamic Stock Fund**, for the year ended **30 June 2016** to comply with the requirements of Regulation No. 5.19.23 of Rule Book of Pakistan Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2016.

Chartered Accountants

Karachi

Date: 05 August 2016

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2016



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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **MCB Pakistan Islamic Stock Fund (formerly: Pakistan Strategic Allocation Fund)** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2016**, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EY

A member firm of Ernst & Young Global Limited

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2016**



Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2016 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

EY For & Rhodes

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 05 August 2016

Karachi

A member firm of Ernst & Young Global Limited

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2016

	Note	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
ASSETS			
Balances with banks	5	82,162	433,252
Investments	6	1,062,765	250,275
Receivable against sale of investments		32,167	29,705
Profit and other receivables	7	2,762	1,209
Advances and deposits	8	3,226	3,084
Total assets		1,183,082	717,525
LIABILITIES			
Payable to the Management Company	9	2,365	900
Payable to the trustee	10	198	64
Annual fee payable to Securities and Exchange Commission of Pakistan (SECP)	11	775	352
Unclaimed dividend		12,400	12,400
Payable against purchase of equity securities		18,829	11,199
Accrued and other liabilities	12	25,564	26,718
Total liabilities		60,131	51,633
NET ASSETS		1,122,951	665,892
Unit holders' fund (as per statement attached)		1,122,951	665,892
Contingencies and commitments	13		
NUMBER OF UNITS IN ISSUE			
		105,747,811	64,830,781
NET ASSETS VALUE PER UNIT			
		10.62	10.27

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
INCOME			
Profit on bank deposits		8,201	5,914
At fair value through profit or loss' - held-for-trading			
- Dividend income from equity securities		3,296	12,070
- Net gain on sale of investments		6,252	12,159
- Net unrealised appreciation / (diminution) in the value of investment	6.3	245	(9,165)
- Income from government securities		-	689
		9,793	15,753
Available-for-sale investments			
- Dividend income from equity securities		29,481	5,406
- Net (loss) / gain on sale of investments		(12,407)	44,328
		17,074	49,734
Other income		-	250
Total income		35,068	71,650
Impairment on investment in equity securities		(11,074)	-
EXPENSES			
Remuneration of the Management Company		16,321	7,409
Sales tax and federal excise duty on remuneration of Management Company	14	5,263	2,474
Expenses allocated by Management Company and related taxes		580	-
Remuneration of the Trustee		1,624	741
Sales tax on trustee fee		228	-
Annual fee to SECP		775	352
Securities transaction cost		1,744	1,788
Conversion cost	12.2	-	-
Custody, settlement and bank charges		603	410
Fees and subscription		373	293
Shariah advisory fee expense		542	-
Printing and related cost		170	229
Donation		381	-
Auditors' remuneration	15	544	480
Provision for Workers' Welfare Fund	12.1	-	1,304
Others		-	9
Total expenses		29,148	15,488
Net (loss) / income from operating activities		(5,154)	56,162
Element of (loss) / income and capital (losses) / gains included in the prices of units sold less those in units redeemed			
- from realised / unrealised capital (loss) / gain		(21,353)	6,527
- from other income		12,511	1,200
		(8,842)	7,727
Net (loss) / income for the year before taxation		(13,996)	63,889
Taxation	16	-	-
Net (loss) / income for the year after taxation		(13,996)	63,889

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)



Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
	----- (Rupees in '000) -----	
Net (loss) / income for the year after taxation	(13,996)	63,889
Other comprehensive income:		
To be reclassified to profit or loss account in subsequent periods		
Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'	53,841	9,408
Other comprehensive income for the year	<u>53,841</u>	<u>9,408</u>
Total comprehensive income for the year	<u><u>39,845</u></u>	<u><u>73,297</u></u>

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)



Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

June 30, June 30,
2016 2015
----- (Rupees in '000) -----

Undistributed income / (loss) brought forward comprises of:

- Realised income / (loss)	19,450	(23,106)
- Unrealised (loss) / income	(9,165)	9,861
Undistributed income / (loss) brought forward - net	10,285	(13,245)

Final distribution:

- Cash distribution: for the year ended June 30, 2016 declared on June 30, 2016 of Re.0.05 per unit	(5,164)	-
- Interim cash distribution for the year ended June 30, 2015 distributed at Rs.1.25 per unit (Declared on June 22, 2015)	-	(41,414)
Element of income and capital gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	13,208	1,055
Net (loss) / income for the year	(13,996)	63,889
	(5,952)	23,530
Undistributed income carried forward	4,333	10,285

Undistributed income carried forward comprises of:

- Realised income	4,088	19,450
- Unrealised income / (loss)	245	(9,165)
	4,333	10,285

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)




Director

STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
Net assets at beginning of the year	665,892	357,941
Issue 61,020,740 (2015: 41,427,105) units	612,457	420,980
Redemption of 20,103,710 (2015: 13,703,339) units	(198,921)	(137,185)
	413,536	283,795
	1,079,428	641,736
Element of income and capital gains included in prices of units sold less those in units redeemed:		
- amount representing loss / (income) and capital loss / (gains) - transferred to Income Statement	8,842	(7,727)
- amount representing unrealised income and capital gains that forms part of the unit holders' fund transferred to Distribution Statement	(13,208)	(1,055)
	(4,366)	(8,782)
Net income for the year transferred from the distribution statement		
Net (loss) / gain on sale of investments	(12,407)	44,328
Net unrealised appreciation / (diminution) on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading'	245	(9,165)
Other (loss) / income for the year	(1,834)	28,726
Element of income and capital gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	13,208	1,055
Distributions made during the year (refer to distribution statement)	(5,164)	(41,414)
	(5,952)	23,530
Net unrealised appreciation on re-measurement of investment - classified as 'available-for-sale'	53,841	9,408
Net assets at end of the year	1,122,951	665,892
	----- (Number of units) ----	
NUMBER OF UNITS IN ISSUE	105,747,811	64,830,781
	----- (Rupees) -----	
NET ASSETS VALUE PER UNIT	10.62	10.27

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)



Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
Note		
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) / income for the year before taxation	(13,996)	63,889
Adjustments for :		
Element of loss / (income) and capital losses / (gains) included in the prices of units sold less those in units redeemed		
- from realised / unrealised capital loss / (gain)	21,353	(6,527)
- from other income	(12,511)	(1,200)
Net unrealised (appreciation) / diminution in the fair value of investments classified 'at fair value through profit or loss - held-for-trading'	(245)	9,165
Dividend income	(32,777)	(17,476)
	(38,176)	47,851
(Increase) / decrease in assets		
Investments	(758,404)	27,276
Receivable against sale of investments	(2,462)	(17,305)
Profit and other receivable	37	(203)
Advances and deposits	(142)	(113)
	(760,971)	9,655
Increase in liabilities		
Payable to the Management Company	1,465	221
Payable to the trustee	134	5
Annual fee payable to SECP	423	22
Payable against purchase of equity securities	7,630	11,198
Accrued and other liabilities	(1,154)	5,184
	8,498	16,630
	(790,649)	74,136
Dividend received	31,187	17,087
Net cash (used in) / generated from operating activities	(759,462)	91,223
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipt against issue of units	612,457	420,981
Net payment on redemption of units	(198,921)	(137,185)
Dividend paid	(5,164)	(41,414)
Net cash generated from financing activities	408,372	242,382
Net (decrease) / increase in cash and cash equivalents during the year	(351,090)	333,605
Cash and cash equivalent at beginning of the year	433,252	99,647
Cash and cash equivalent at end of the year	5 <u>82,162</u>	<u>433,252</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Pakistan Islamic Stock Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004.
- 1.2 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3 Formation of the Fund as a closed-end fund was authorized by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4 The Fund is categorised as "equity scheme" and is listed on the Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited). The Fund primarily invests in listed equity securities. It also invests in cash instruments and treasury bills not exceeding 90 days maturity.
- 1.5 Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.6 The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2++' dated June 08, 2016 to the Management Company and 3-Star Short-term and 3-Star Long-Term to the Fund dated August 13, 2015.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Trust Deed, the NBFC rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

2.2 New Standards, Interpretations and Amendments

The Fund has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

The adoption of the above accounting standards did not have any effect on the financial statements.

2.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS 7 – Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 01, 2017
IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 – Property, Plant and Equipment IAS 41 Agriculture – Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

3. BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

3.2 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 4.1 and 4.5 respectively.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years except as described in note 2.2.

4.1 Financial assets

The fund classifies its financial assets in following categories:

- financial assets at fair value through profit or loss - held-for-trading;
- available-for-sale investments; and
- loans and receivables.

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the Income Statement.

b) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss - held-for-trading. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

4.2 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

4.3 Initial recognition and measurement

a) Financial assets at fair value through profit or loss - held-for-trading

These investments are initially recognized at fair value. Transaction costs are expensed in the Income Statement.

b) Available-for-sale and loans and receivables

These are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of such assets.

4.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss - held-for-trading and available-for-sale are valued as follows:

a) Equity Securities

The investment of the Fund in equity securities is valued on the basis of quoted market prices available at the stock exchange.

Net gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of financial assets at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from the difference in value determined in accordance with the above mentioned criteria compared to the carrying amount in respect of available-for-sale financial assets are recognized in other comprehensive income until the available-for-sale financial assets are derecognized. At this time, the cumulative gain or loss previously recognized directly in other comprehensive income is reclassified from other comprehensive income to income statement as a reclassification adjustment.

b) Government Securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan.

c) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortized cost using the effective rate of return.

4.5 Impairment

The carrying amounts of the Fund's assets are assessed at each balance sheet date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognized immediately as an expense in the income statement. In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income is reclassified from other comprehensive income and recognized in the income statement. Impairment losses recognized on equity financial assets recognized in the income statement are not reversed through the income statement. For loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective rate of return.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

4.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, have been realized or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

4.7 Reclassification

The Fund may choose to reclassify a non-derivative trading financial asset in equity securities out of the 'held-for-trading' category to the 'available-for-sale' category if the financial asset is no longer held for the purpose of selling it in the near term. Such reclassifications are made only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. Reclassifications are made at fair value as of the reclassification date which then becomes the new cost and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made.

4.8 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortized cost.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

4.9 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.10 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Unit Holder's transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption request during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.11 Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed

An equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units sold and redeemed during an accounting period which pertains to Unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognized in the Income Statement.

4.12 Proposed distributions

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the period in which such distributions are declared.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

4.13 Provisions

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimates.

4.14 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

4.15 Taxation

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

4.16 Revenue recognition

- Realized capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on mark to market of investments classified as 'at fair value through profit or loss' - held-for-trading are included in the Income Statement in the period in which they arise.
- Dividend income is recognized when the right to receive the payment is established.
- Profit on investments is recognized on an accrual basis.
- Profit on bank deposits is recognized on an accrual basis.

4.17 Expenses

All expenses including management fee, trustee fee and SECP fee are recognised in the Income Statement on an accrual basis.

4.18 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks.

4.19 Other assets

Other assets are stated at cost less impairment losses, if any.

4.20 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on non-monetary financial assets and liabilities are recognized in the Income Statement.

4.21 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

		June 30, 2016	June 30, 2015
	Note	----- (Rupees in '000) -----	
5. BALANCES WITH BANKS			
In current accounts		42,242	16,206
In deposit accounts	5.1	<u>39,920</u>	<u>417,046</u>
		<u>82,162</u>	<u>433,252</u>

5.1 These carry mark-up at rates ranging between 5.5% to 6% per annum (2015: 6% to 9%) per annum and include Nil balance (2015: Rs.418.849 million) with MCB Bank Limited and Nil balance (2015: Rs.5.109 million) with Summit Bank Limited (related parties).

6. INVESTMENTS

At fair value through profit or loss - held-for-trading

Listed equity securities	6.1	<u>7,309</u>	<u>66,630</u>
		7,309	66,630

Available-for-sale

Listed equity securities	6.2	<u>1,055,456</u>	<u>183,645</u>
		<u>1,062,765</u>	<u>250,275</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

6.1 Listed equity securities 'at fair value through profit or loss' - held-for-trading

Name of the Investee Company	Number of shares				Balance as at June 30, 2016			Market value as percentage of total investments	Market value as percentage of net assets	Market value as percentage of total paid up capital of the investee company
	As at July 01, 2015	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2016	Cost	Market Value	Appreciation / (Diminution)		
							(Rupees in '000)			%
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise										
Oil and gas exploration companies										
Pakistan Oilfields Limited	41,403	-	-	32,903	8,500	3,432	2,954	(479)	0.26%	0.12%
Pakistan Petroleum Limited	158,157	-	-	158,157	-	-	-	-	-	-
						3,432	2,954	(479)	0.26%	0.13%
Oil and gas exploration companies										
Attock Petroleum Limited	13,797	-	-	13,797	-	-	-	-	0.00%	0.00%
Pakistan State Oil Company Limited	43	-	-	43	-	-	-	-	0.00%	0.00%
						-	-	-	0.00%	0.00%
Refinery										
National Refinery Limited	100	-	-	100	-	-	-	-	-	-
						-	-	-	-	-
Fertilizer										
Engro Fertilizers Limited	550	-	-	550	-	-	-	-	-	-
Fatima Fertilizer Company Limited	58	-	-	58	-	-	-	-	-	-
						-	-	-	-	-
Construction and materials (cement)										
Kohat Cement Limited	188	-	-	-	188	38	49	11	0.00%	0.00%
Lucky Cement Limited	5,419	-	-	-	5,419	2,816	3,514	698	0.31%	0.11%
Maple Leaf Cement Factory Limited	100	-	-	100	-	-	-	-	-	-
Attock Cement (Pakistan) Limited	28,100	-	-	28,100	-	-	-	-	-	-
						2,854	3,563	709	0.32%	0.11%
Paper and board										
Packages Limited	1,050	-	-	-	1,050	624	668	44	0.06%	0.08%
						624	668	44	0.06%	0.08%
Food and personal care products										
Engro Foods Limited	100	-	-	100	-	-	-	-	-	-
Al-Shaheer Corporation Limited	-	375,000	-	375,000	-	-	-	-	-	-
						-	-	-	-	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Name of the Investee Company	Number of shares				Balance as at June 30, 2016			Market value as percentage of total investments	Market value as percentage of net assets	Market Value as percentage of total paid up capital of the investee company	
	As at July 01, 2015	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2016	Cost	Market Value				Appreciation / (Diminution)
Technology and telecommunication											
Pakistan Telecommunication Company Limited 'A'	817	-	-	817	-	-	-	-	-	-	
Power generation and distribution											
Hub Power Company Limited	32	-	-	-	32	3	4	1	-	0.00%	
PAKGEN Power Limited	5,000	-	-	-	5,000	150	120	(30)	0.01%	0.00%	
						153	124	(29)	0.01%	0.00%	
Commercial banks											
Faysal Bank Limited	1,560	-	-	1,560	-	-	-	-	-	-	
Meezan Bank Limited	-	600,000	-	600,000	-	-	-	-	-	-	
						-	-	-	-	-	
Automobile assemblers											
Millat Tractors Limited	10,000	-	-	10,000	-	-	-	-	-	-	
Indus Motor Company Limited	50	-	-	50	-	-	-	-	-	-	
Pak Suzuki Motor Company Limited	100	-	-	100	-	-	-	-	-	-	
						-	-	-	-	-	
Total as at June 30, 2016											
						7,064	7,309	245			
Total as at June 30, 2015											
						75,795	66,630	(9,165)			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

6.2 Listed equity securities 'available-for-sale'

Name of the Investee Company	Number of shares				Balance as at June 30, 2016				Market value as percentage of total paid-up capital of the investee company
	As at July 01, 2015	Purchases during the year	Bonus / right issue	Sales during the year	As at June 30, 2016	Cost	Market value	Appreciation / (diminution)	
----- (Rupees in '000) -----									
Fully paid ordinary shares of Rs.10 each									
Automobile and parts									
Indus Motor Company Limited	8,500	700	-	9,200	-	-	-	-	-
Agriaautos Industries Limited	-	103,000	-	-	103,000	20,279	20,111	(168)	1.79%
Thal Limited	-	92,900	-	12,800	80,100	22,318	22,670	352	2.13%
						42,597	42,781	184	2.18%
Automobile assembler									4.03%
Hinopak Motors Limited	-	8,000	-	8,000	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	50,000	-	50,000	-	-	-	-	-
						-	-	-	-
Cable and electrical goods									-
Pak Elektron Limited	147,000	815,000	37,500	362,000	637,500	40,557	41,214	658	3.67%
						40,557	41,214	658	3.67%
Cement									3.88%
Cherat Cement Company Limited	-	355,000	-	-	355,000	32,710	42,447	9,737	3.78%
Kohat Cement Limited	-	113,700	-	53,088	60,612	14,191	15,875	1,684	1.41%
Fauji Cement Company Limited	400	1,390,400	-	1,390,400	-	-	-	-	-
Lucky Cement Limited	28,600	134,000	-	34,219	128,381	71,661	83,256	11,595	7.41%
Maple Leaf Cement Factory Limited	-	1,485,000	-	1,185,000	300,000	29,745	31,653	1,908	2.82%
Pioneer Cement Limited	-	448,000	-	97,000	351,000	33,786	37,697	3,911	3.36%
						182,093	210,928	28,835	18.78%
Chemical									19.85%
I.C.I Pakistan Limited	-	37,200	-	(22,800)	60,000	28,839	26,701	(2,137)	2.38%
						28,839	26,701	(2,137)	2.38%
Engineering									2.51%
Amreli Steels Limited	-	650,674	-	130,674	520,000	25,961	24,450	(1,511)	2.18%
Mughal Iron & Steel Industries Limited	-	531,000	-	531,000	-	-	-	-	-
						25,961	24,450	(1,511)	2.18%
Fertilizer									2.30%
Dawood Hercules Corporation Limited	-	385,000	-	296,100	88,900	11,042	13,235	2,193	1.18%
Engro Corporation Limited *	80,900	499,800	-	216,900	363,800	115,948	121,134	5,186	10.79%
Engro Fertilizers Limited	223,000	1,954,000	-	1,590,500	586,500	38,468	37,818	(650)	3.37%
Fatima Fertilizer Company Limited - related party	48,000	825,000	-	873,000	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	749,000	-	749,000	-	-	-	-	-
Fauji Fertilizer Company Limited	99,600	252,600	-	352,200	-	-	-	-	-
						165,458	172,187	6,729	15.33%
Glass and ceramics									16.20%
Tariq Glass Industries Limited	184,000	346,500	-	70,000	460,500	32,193	34,054	1,861	3.03%
						32,193	34,054	1,861	3.03%
Miscellaneous									3.20%
Shifa International Hospitals Limited	-	109,700	4,620	24,500	89,820	25,261	26,946	1,685	2.40%
						25,261	26,946	1,685	2.40%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Name of the Investee Company	Number of shares				Balance as at June 30, 2016					Market value as percentage of net assets of net assets	Market value as percentage of total investments	Market value as percentage of total paid-up capital of the investee company	
	As at July 01, 2015	Purchases during the year	Bonus / right issue	Sales during the year	As at June 30, 2016	Cost	Market value	Appreciation / (diminution)					
(Rupees in '000)													
Oil and gas exploration companies													
Mari Petroleum Company Limited	-	54,800	-	10,500	44,300	31,492	40,234	8,742	3.58%	3.79%	3.79%	3.65%	
Oil & Gas Development Company Limited	-	703,000	-	90,000	613,000	87,653	84,637	(3,016)	7.54%	7.96%	7.96%	0.20%	
Pakistan Oilfields Limited	24,000	406,300	-	187,000	243,300	78,672	84,542	5,870	7.53%	7.96%	7.96%	3.57%	
Pakistan Petroleum Limited	40,300	312,500	-	352,800	-	-	-	-	-	-	-	-	
Pakistan State Oil Company Limited	48,500	42,000	-	90,500	-	-	-	-	-	-	-	-	
						197,817	209,413	11,596	18.65%	19.71%	19.71%	7.42%	
Oil and gas marketing companies													
Attock Petroleum Limited	-	53,000	-	53,000	-	-	-	-	-	-	-	-	
Hascol Petroleum Limited	-	414,000	27,800	440,410	1,390	204	272	67	0.02%	0.03%	0.03%	0.02%	
Hi-Tech Lubricants Limited	-	461,000	-	34,500	426,500	25,285	25,236	(49)	2.25%	2.38%	2.38%	2.18%	
Shell Pakistan Limited	-	50,000	-	30,400	19,600	5,494	5,688	194	0.51%	0.54%	0.54%	0.53%	
						30,983	31,196	212	2.78%	2.94%	2.94%	2.73%	
Paper and board													
Packages Limited	23,150	72,800	-	64,500	31,450	18,672	20,009	1,337	1.78%	1.88%	1.88%	2.24%	
						18,672	20,009	1,337	1.78%	1.88%	1.88%	2.24%	
Pharmaceuticals													
Abbott Laboratories (Pakistan) Limited	-	44,000	-	1,000	43,000	28,037	32,422	4,385	2.89%	3.05%	3.05%	3.31%	
The Searle Company Limited	-	21,000	2,100	21,000	2,100	833	1,126	293	0.10%	0.11%	0.11%	0.09%	
GlaxoSmithKline (Pakistan) Limited	-	43,600	-	43,600	-	-	-	-	-	-	-	-	
						28,870	33,548	4,678	2.99%	3.16%	3.16%	3.40%	
Power generation and distribution													
Hub Power Company Limited *	11,500	574,500	-	334,000	252,000	25,663	30,255	4,592	2.69%	2.85%	2.85%	0.26%	
K-Electric Limited	-	5,130,500	-	-	5,130,500	41,823	41,352	(471)	3.68%	3.89%	3.89%	0.04%	
Lalpir Power Limited - related party	-	759,000	-	-	759,000	16,470	16,470	-	1.47%	1.55%	1.55%	0.43%	
PAKGEN Power Limited - related party	379,500	222,500	-	-	602,000	18,462	14,478	(3,984)	1.29%	1.36%	1.36%	0.39%	
						102,418	102,555	137	9.13%	9.65%	9.65%	1.13%	
Refinery													
Attock Refinery Limited	-	129,700	-	73,000	56,700	11,993	15,884	3,891	1.41%	1.50%	1.50%	1.86%	
National Refinery Limited	48,200	25,000	-	73,200	-	-	-	-	-	-	-	-	
						11,993	15,884	3,891	1.41%	1.50%	1.50%	1.86%	
Technology & telecommunication													
Pakistan Telecommunication Company Limited 'A'	110,000	-	-	110,000	-	-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
Personal goods (textile)													
Kohinoor Textile Mills Limited	-	231,000	-	-	231,000	17,513	18,487	974	1.65%	1.74%	1.74%	0.65%	
Nishat Mills Limited - related party	-	508,000	-	90,000	418,000	43,952	45,102	1,150	4.02%	4.24%	4.24%	1.28%	
						61,465	63,589	2,124	5.66%	5.98%	5.98%	1.94%	
Total as at June 30, 2016						995,177	1,055,456	60,278					
Total as at June 30, 2015						174,237	183,645	9,407					

* The above include shares with a market value aggregating to Rs.45,303 thousand (2015: Rs.10,677 thousand) which have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the Fund in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

** The carrying amounts of Oil & Gas Development Company Limited and Lalpir Power Limited (a related party) have been adjusted with the impairment amounting to Rs.2,972 million and Rs.8,102 million respectively.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

		June 30, 2016	June 30, 2015
	Note	----- (Rupees in '000) -----	
6.3 Net unrealised appreciation / (diminution) on re-measurement of investments classified 'at fair value through profit or loss' - held-for-trading			
Market value of investments	6.1	7,309	66,630
Less: Carrying cost of investments	6.1	(7,064)	(75,795)
		<u>245</u>	<u>(9,165)</u>
7. PROFIT AND OTHER RECEIVABLES			
Accrued profit on deposit accounts with banks		389	425
Dividend receivable		2,373	784
		<u>2,762</u>	<u>1,209</u>
8. ADVANCES AND DEPOSITS			
Security deposit with NCCPL		2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		300	300
Advance tax		426	284
		<u>3,226</u>	<u>3,084</u>
9. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable	9.1	1,823	643
Sales tax on management fee		255	96
Expenses payable to Management Company and related taxes		91	-
Sales load payable		121	61
Payable to legal advisor		-	100
Shariah advisor fee		75	-
		<u>2,365</u>	<u>900</u>
9.1	Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged remuneration at a rate of two percent per annum with effect from August 23, 2009 (three percent till August 22, 2009) as the Fund has completed its five years on August 22, 2009.		
10. PAYABLE TO THE TRUSTEE			
Trustee fee	10.1	198	64
10.1	The Trustee, CDC is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff specified therein, based on the daily net asset value of the Fund. As per the Trust Deed and Offering Document the tariff structure applicable to the Fund in respect of trustee fee is as follows:		
Average net asset value	Tariff per annum		
Up to Rs.1 billion	Rs.0.7 million or 0.20% per annum of net assets, whichever is higher		
Amount exceeding Rs.1 billion	Rs.2.0 million plus 0.10% p.a. of net assets exceeding Rs.1 billion		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

11. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.095% (June 30, 2015: 0.095%) of the average daily net assets of the Fund.

	Note	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
12. ACCRUED AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	12.1	15,754	15,754
Charity / donation payable		738	-
Federal excise duty payable on management fee	14	5,689	2,710
Federal excise duty payable on sales load		125	95
Auditors' remuneration		385	341
Brokerage payable		1,827	486
Conversion cost payable	12.2	563	2,083
Withholding tax payable		90	4,919
Others		393	330
		<u>25,564</u>	<u>26,718</u>

12.1 Provision for Workers' Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by the CIS through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 08, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

Subsequent to the year ended June 30, 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the decision of SHC, the Management Company, as a matter of abundant caution, has decided to retain the entire provision for WWF in these financial statements.

Furthermore, in the Finance Act, 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from July 01, 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs.15.75 million (2015: Rs.15.75 million) in these financial statements pertaining to period July 01, 2011 to June 30, 2015 and have not recognised any further provision there against. During the year ended June 30, 2016 the Fund charged Rs.Nil on account of WWF. Had the provision of WWF not been recorded in the books of account of the Fund, the net asset value per unit of the Fund would have been higher by Rs.0.15 per unit (1.40%) (2015: Rs.0.24 per unit (2.37%)) as at June 30, 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

12.2 Conversion cost

Conversion cost represents expenditure incurred in connection with the conversion of the Fund into an open-end fund and includes fee paid to SECP, CDC charges for transfer of closed end certificates into open-end units, professional charges for revision of constitutive documents and other expenses. These costs have been charged as expense in the year of conversion in accordance with the condition notified by SECP vide its letter no. SCD/NBFC/MF-RS/PSAF/717/2010 dated September 23, 2010. Conversion cost has been initially paid by the management company which will be repaid subsequent to the year end.

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2016.

14. FEDERAL EXCISE DUTY ON MANAGEMENT FEE

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED was not justified.

On September 04, 2013, a constitutional petition was filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

Further, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs.5.69 million (2015: Rs.2.71 million).

June 30, 2016	June 30, 2015
----- (Rupees in '000) -----	----- (Rupees in '000) -----

15. AUDITORS' REMUNERATION

Annual audit fee	225	225
Half yearly review fee	100	100
Other certification and services	100	100
	425	425
Sales tax	26	21
Out of pocket expenses	93	34
	544	480

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

16. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in cash in the manner as explained above, accordingly no provision for taxation has been made in these financial statements.

17. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

The transactions with connected persons are in the normal course of business.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

June 30, June 30,
2016 2015
----- (Rupees in '000) -----

17.1 Transactions during the year

MCB-Arif Habib Savings and Investments limited -

Management Company

Remuneration including indirect taxes	21,584	9,883
Payment of Conversion cost	1,520	1,520
Legal and professional charges	-	100
Sindh Sales Tax Registration charges	-	9
Expense allocated by Management		
Company and related taxes	580	-
Shahriah advisory fee	542	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration and settlement charges for the year	1,990	741
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Arif Habib Limited - Brokerage house

Brokerage *	494	164
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Next Capital Limited

Brokerage *	273	148
-------------	------------	-----

Summit Capital (Pvt.) Limited

Brokerage *	22	-
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MCB Bank Limited

Profit	-	4,751
Bank charges	13	21
Dividend income	-	587

D.G. Khan Cement Company Limited

Issue of 1,901 units (2015: Nil units)	20	-
Dividend income	-	489
Dividend paid	20	450

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
	----- (Rupees in '000) -----	
Nishat Mills Limited		
Purchase of shares: 508,000 (2015: 68,000)	53,319	7,301
Sale of shares: 90,000 (2015: 76,800)	11,146	9,045
Issue of 4,102 units (2015: 94,497 units)	44	984
Dividend income	-	167
Dividend paid	50	1,124
Adamjee Life Assurance Company Limited - Investment Multiplier Fund		
Issue of 14,024,466 units (2015: Nil units)	146,675	-
Dividend paid	1,914	-
Adamjee Life Assurance Company Limited - Investment Amanat Fund		
Issue of 7,223,000 units (2015: Nil units)	71,315	-
Dividend paid	360	-
Nishat Power Limited		
Dividend income	-	0.44
Lalpir Power Limited		
Purchase of shares: 759,000 shares (2015: Nil)	24,526	-
Dividend income	1,518	-
PAKGEN Power Limited		
Dividend income	607	366
Fatima Fertilizers Limited		
Purchase of shares: 825,000 shares (2015: 245,000)	36,658	33,692
Sale of shares: 873,000 shares (2015: 145,500)	31,868	20,541
Dividend income	-	0.16
Dewan Salman Fibre Limited		
Issue of Nil units (2015: 231,568 units)	-	2,411
Redemption of Nil units (2015: 1,760,519 units)	-	17,640
Key management personnel		
Issue of 185,006 units (2015: Nil units)	1,879	-
Redemption of 116,254 units (2015: Nil units)	1,218	-
Issue of bonus Nil units (2015: 1,438 units)	-	15
Dividend paid	6	2
Mandate Under Discretionary Portfolio Services		
Issue of 4,327,729 units (2015: 185,006 units)	43,896	-
Redemption of 2,357,729 units (2015: 116,254 units)	24,027	-
Dividend paid	681	-
17.2 Balances outstanding at year end		
Management Company		
Remuneration payable to Management Company	1,823	643
Sales tax payable on management fee	255	96
Conversion cost payable	563	2,083
Sales load payable including related sales tax	106	53
Sales tax payable on sales load	15	8
Legal and professional charges	-	100
Expense allocated by Management Company and related taxes	91	-
Shariah advisory fee	75	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (including related taxes)	198	64
Security deposits	300	300
Arif Habib Limited - Brokerage house		
Brokerage payable	217	37
Next Capital - Brokerage House		
Brokerage payable	125	48
D.G Khan Cement Company Limited - Employees Provident Fund Trust		
404,856 units held as at June 30, 2016 (2015: Nil units)	4,299,570	-
MCB Bank Limited		
Balances with bank	28,962	418,849
Accrued profit	-	343
Nishat Mills Limited		
997,991 units held as at June 30, 2016 (2015: 993,889 units)	10,599	10,207
Shares held: 418,000 (2015: NIL)	45,102	-
Adamjee Life Assurance Company Limited - Investment Multiplier Fund		
38,438,529 units held as at June 30, 2016 (2015: Nil units)	408,217	-
Adamjee Life Assurance Company Limited - Amanat Fund		
7,223,000 units held as at June 30, 2016 (2015: Nil units)	76,708	-
Lalpir Power Limited		
Shares held: 759,000 (2015: Nil)	16,470	-
PAKGEN Power Limited		
Shares held: 602,000 (2015: Nil)	14,478	-
Fatima Fertilizer Company		
Nil shares held as at June 30, 2016 (2015: 58) - 'held-for-trading'	-	2
Nil shares held as at June 30, 2015 (2015: 48,000) - 'available-for-sale'	-	1,875
Dewan Salman Fibre Limited		
Nil units held as at June 30, 2016 (2015: 2,435,569)	-	25,016
Key management personnel		
83,877 units held as at June 30, 2016 (2015: 15,124 units)	891	155
Mandate Under Discretionary Portfolio Services		
5,662,643 units held as at June 30, 2016 (2015: Nil units)	60,137	-

* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

18. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

18.1 Details of members of the investment committee of the Fund are as follows:

Names	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	18 Years
Mr. Muhammad Asim	Asset Class Specialist - Equities	MBA & CFA	13 Years
Mr. Saad Ahmed	Asset Class Specialist - Fixed Income	MBA	10 Years
Syed Mohammad Usama Iqbal	Fund Manager - Fixed Income Fund	B.COM	9 Years
Mr. Awais Abdul Sattar	Senior Research Analyst	MBA & CFA	5 Years

18.2 Mr. Awais Abdul Sattar, CFA is the Fund Manager. He is also the Fund Manager of Pakistan International Element Islamic Asset Allocation Fund and Pakistan Islamic Pension Fund.

19. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2016 %
Arif Habib Limited	12.10
Taurus Securities Limited	7.00
Next Capital Limited	6.70
Nael Capital Private Limited	5.12
JS Global Capital Limited	4.87
Optimas Capital Management Private Limited	4.78
Elixir Securities Pakistan Private Limited	4.65
Al Habib Capital Markets Private Limited	4.60
Intermarket Securities Private Limited	4.44
DJM Securities Private Limited	4.30
	June 30, 2015 %
Arif Habib Limited	8.53
Al-Habib Capital Market (Private) Limited	7.75
Next Capital Limited	7.66
Habib Metro Financial Services	7.01
Top Line Securities (Private) Limited	6.74
JS Global Capital Limited	6.02
DJM Securities (Private) Limited	5.85
Pearl Securities Limited	4.76
Shajar Capital Pakistan (Private) Limited	4.60
KASB Securities Limited	4.06

20. PATTERN OF UNIT HOLDINGS

	As at June 30, 2016			
	Number of unit holders	Number of Units held	Net asset value of the amount invested Rupees in '000	Percentage investment %
Individuals	1,262	25,916,729	275,214	24.49
Insurance companies	2	239,518	2,543	0.23
Bank / DFIs	3	1,182,529	12,557	1.12
Retirement funds	2	1,222,761	12,985	1.16
Associated companies	5	47,064,376	499,784	44.51
Trustee	-	-	-	-
Foreign companies	11	557,968	5,925	0.53
NBFC	2	298,169	3,166	0.28
Others	40	29,265,761	310,778	27.68
	1,327	105,747,811	1,122,952	100.00

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

As at June 30, 2015

	Number of unit holders	Number of Units held	Net asset value of the amount invested Rupees in '000	Percentage investment %
Individuals	1,188	21,767,380	223,578	33.57
Insurance companies	3	2,226,310	22,867	3.43
Bank / DFIs	3	1,176,977	12,089	1.82
Retirement funds	17	6,721,630	69,040	10.37
Associated companies	3	25,407,951	260,972	39.19
Trustee	-	1,932,203	19,846	2.98
Foreign companies	9	369,801	3,798	0.57
NBFC	2	298,169	3,063	0.46
Others	18	4,930,360	50,640	7.61
	1,243	64,830,781	665,893	100.00

21. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, 118th, 119th, 120th, 121st, 122nd, 123rd, 124th and 125th Board meetings were held on August 07, 2015, October 16, 2015, January 04, 2016, February 04, 2016, April 24, 2015, May 27, 2016, June 21, 2016 and June 27, 2016 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of persons attending the meetings	No. of meetings held	Number of meetings			Meetings not attended
		Attendance required	Attended	Leave granted	
Mr. Mian Mohammad Mansha	8	8	-	8	118th, 119th, 120th, 121st, 122nd, 123rd, 124th, 125th
Mr. Nasim Beg	8	8	7	1	119th
Mr. Yasir Qadri *	8	3	3	-	-
Dr. Syed Salman Ali Shah	8	8	8	-	-
Mr. Haroon Rashid	8	8	8	-	-
Mr. Ahmed Jahangir	8	8	7	1	122nd
Mr. Samad A. Habib	8	8	6	2	119th, 125th
Mr. Mirza Mehmood Ahmed	8	8	-	8	118th, 119th, 120th, 121st, 122nd, 123rd, 124th, 125th
Mr. Muhammad Saqib Saleem (Chief Executive Officer)**	8	5	5	-	-

* Mr. Yasir Qadri (Chief Executive Officer) resigned on January 04, 2016

** Mr. Muhammad Saqib Saleem appointed as an acting Chief Executive Officer on January 04, 2016 and confirmed by the board on April 18, 2016

22. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, profit rate and other price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Management Company in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mention risks. The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

22.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the SECP and the NBFC Regulations, The NBFC Rules.

Market risk comprises of three types of risk: currency risk, profit rate risk and price risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

22.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

22.1.2 Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial instruments and future cash flows. The profit rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investment in fixed profit rate securities expose it to fair value profit rate risk and investments in variable profit rate securities expose the Fund to cash flow profit rate risk.

a) Sensitivity analysis of variable rate instruments

In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would be higher / lower by Rs.0.01 million (June 30, 2015: Rs.4.17).

b) Sensitivity analysis of fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument as at June 30, 2016 which expose the Fund to fair value profit rate risk (June 30, 2015: Nil).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2016 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

June 30, 2016					
Exposed to profit rate risk					
Profit rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to profit rate risk	Total
			Rupees in '000		
On-balance sheet financial instruments					
Financial assets					
Balances with banks	5.50 - 6.00	39,920	-	-	42,242
Investments classified:					
At fair value through profit or loss'					
- held-for-trading		-	-	-	7,309
Available-for-sale		-	-	-	1,055,456
Receivable against sale of investments		-	-	-	32,167
Profit and other receivables		-	-	-	2,762
Deposits		-	-	-	2,800
	39,920	-	-	1,142,736	1,182,656
Financial liabilities					
Payable to the Management Company		-	-	-	2,365
Payable to the trustee		-	-	-	198
Unclaimed dividend		-	-	-	12,400
Payable against purchase of equity securities		-	-	-	18,829
Accrued and other liabilities		-	-	-	3,835
	-	-	-	37,627	37,627
On-balance sheet gap	39,920	-	-	1,105,109	1,145,029

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

June 30, 2015						
Exposed to profit rate risk						
	Profit rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to profit rate risk	Total
				(Rupees in '000)		
On-balance sheet financial instruments						
Financial assets						
Balances with banks	6 - 9	417,046	-	-	16,206	433,252
Investments classified:						
At fair value through profit or loss'						
- held-for-trading		-	-	-	66,630	66,630
Available-for-sale		-	-	-	183,644	183,644
Receivable against sale of investments		-	-	-	29,706	29,706
Profit and other receivables		-	-	-	1,209	1,209
Deposits		-	-	-	2,800	2,800
		417,046	-	-	300,195	717,242
Financial liabilities						
Payable to the Management Company		-	-	-	900	900
Payable to the trustee		-	-	-	64	64
Unclaimed dividend		-	-	-	12,400	12,400
Payable against purchase of equity securities		-	-	-	11,199	11,199
Accrued and other liabilities		-	-	-	3,240	3,240
		-	-	-	27,803	27,803
On-balance sheet gap		417,046	-	-	272,392	689,439

22.1.3 Other price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk), whether caused by factor specific to an individual investment, its issuer or factors affecting all instrument traded in the market.

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's Constitutive Documents, NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments are concentrated in the sectors given in notes 6.1 and 6.2.

At June 30, 2016, the fair value of equity securities exposed to price risk is disclosed in note 6.1 and 6.2.

The following table illustrates the sensitivity of the profit for the year and the unit holders' fund to an increase or decrease of 5% in the fair values of the Fund's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Fund's equity securities at each statement of assets and liabilities date, with all other variables held constant.

	June 30, 2016	June 30, 2015
	(Rupees)	
Effect due to increase / decrease in KSE 100 index		
Investment and net assets	53,138	12,514
Income statement	53,138	12,514

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

22.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements.

The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	June 30, 2016	June 30, 2015
	----- (Rupees in '000) -----	
Balances with banks	82,162	433,252
Receivable against sale of investments	32,167	29,705
Profit and other receivables	2,762	1,209
	<u>117,091</u>	<u>464,166</u>

All deposits with NCCPL and Central Depository Company of Pakistan Limited - CDC are highly rated and risk of default is considered minimal.

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2016 and June 30, 2015:

Bank balances by rating category	Rating	June 30, 2016	June 30, 2015
	Long-term / short-term	----- (Rupees in '000) -----	
Deposit accounts			
Habib Metropolitan Bank	AA+ / A-1+	-	1,678
MCB Bank Limited	AAA / A-1+	-	415,368
United Bank Limited	AA+ / A-1+	3,631	-
Habib Bank Limited	AAA / A-1+	7	-
Askari Bank Limited	AA / A-1+	7	-
Dubai Islamic Bank	A+ / A-1	36,276	-
		39,921	417,046
Current accounts			
Standard Chartered Bank Limited	AAA / A-1+	7,305	7,305
Habib Metropolitan Bank	AA+ / A-1+	856	-
MCB Bank Limited	AAA / A-1+	25	-
Summit Bank Limited	A / A-1	5,109	5,109
United Bank Limited	AA+ / A-1+	3	310
MCB Bank Limited	AAA / A-1+	28,937	3,481
Habib Bank Limited	AAA / A-1+	-	-
Askari Bank Limited	AA / A-1+	-	-
Bank Al Habib Limited	AA+ / A-1+	6	-
		42,241	16,206
		82,162	433,251

The maximum exposure to credit risk before any credit enhancement as at June 30, 2016 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Receivables against sale of units

These represent amount held under distribution accounts maintained by the management company for receipt of subscription money from unit holders. The amount has been cleared subsequently by the management company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Advances and deposits

Deposits are placed with NCCPL and CDC for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high credit worthiness and the transactions are settled or paid for only upon delivery using central clearing system.

22.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short-term to ensure settlement. During the current year, the Fund did not availed any borrowing. As per the NBFC Regulations the maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets up to 90 days and would be secured by the assets of the Fund and bear profit at commercial rates.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units in issue. The Fund did not withhold any redemptions during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	As at June 30, 2016			
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	(Rupees in '000)			
Liabilities				
Payable to the Management Company	2,365	2,365	-	-
Payable to the trustee	198	198	-	-
Unclaimed dividend	12,400	12,400	-	-
Payable against purchase of equity securities	18,829	18,829	-	-
Accrued and other liabilities	3,835	-	3,835	-
	37,627	33,792	3,835	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

As at June 30, 2015

	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	----- (Rupees in '000) -----			
Liabilities				
Payable to the Management Company	900	-	-	-
Payable to the trustee	64	-	-	-
Unclaimed dividend	12,400	-	-	-
Payable against purchase of equity securities	11,199	11,199	-	-
Accrued and other liabilities	3,240	-	3,240	-
	27,803	11,199	3,240	-

22.4 Financial instruments by category

As at June 30, 2016

	Loans and receivables	At fair value through profit and loss' - held-for-trading	Available-for-sale investments	Total
	----- (Rupees in '000) -----			
Assets				
Balances with banks	82,162	-	-	82,162
Investments	-	7,309	1,055,456	1,062,765
Receivable against sale of investments	32,167	-	-	32,167
Profit and other receivables	2,762	-	-	2,762
Deposits	2,800	-	-	2,800
	119,891	7,309	1,055,456	1,182,656

As at June 30, 2016

	At fair value through profit and loss' - held-for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	2,365	2,365
Payable to the Trustee	-	198	198
Unclaimed dividend	-	12,400	12,400
Payable against purchase of equity securities	-	18,829	18,829
Accrued and other liabilities	-	3,835	3,835
	-	37,627	37,627

As at June 30, 2015

	Loans and receivables	At fair value through profit and loss' - held-for-trading	Available-for-sale investments	Total
	----- (Rupees in '000) -----			
Assets				
Balances with banks	433,252	-	-	433,252
Investments	-	66,630	183,644	250,274
Receivable against sale of investments	29,705	-	-	29,705
Profit and other receivables	1,209	-	-	1,209
Deposits	2,800	-	-	2,800
	466,966	66,630	183,644	717,240

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	As at June 30, 2015		
	At fair value through profit and loss' - held- for-trading	Other financial liabilities	Total
	(Rupees in '000)		
Liabilities			
Payable to the Management Company	-	900	900
Payable to the Trustee	-	64	64
Unclaimed dividend	-	12,400	12,400
Payable against purchase of equity securities	-	11,199	11,199
Accrued and other liabilities	-	3,240	3,240
	-	27,803	27,803

22.5 Fair value hierarchy

Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyse financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets 'at fair value through profit or loss' - held-for-trading				
Listed equity securities	7,309	-	-	7,309
	7,309	-	-	7,309
Financial assets classified as 'available-for-sale'				
Listed equity securities	1,055,456	-	-	1,055,456
	1,062,765	-	-	1,062,765
	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets 'at fair value through profit or loss' - held-for-trading				
- Held-for-trading	66,630	-	-	66,630
	66,630	-	-	66,630
Financial assets classified as 'available-for-sale'				
- Available-for-sale	183,644	-	-	183,644
	250,274	-	-	250,274

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

23. UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holders' Fund is represented by redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the fund.

The Fund's objectives when managing unit holder's fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns for units holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments when necessary.


Under the NBFC Regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme.

24. GENERAL

Figures have been rounded off to the nearest thousand Rupees unless otherwise specified.

25. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on August 05, 2016 by the Board of Directors of the Management Company.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(Management Company)



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2016**

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
NISHAT MILLS LIMITED EMPLOYEES PROVIDENT FUND TRUST	1	997,991
ADAMJEE LIFE ASSURANCE COMPANY LIMITED - INVESTMENT MULTIPLIER FUND	1	38,438,529
ADAMJEE LIFE ASSURANCE COMPANY LIMITED - AMANAT FUND	1	7,223,000
Mutual Funds	-	-
Directors and their spouse (s) and minor children	-	-
Executives	2	83877
Public sector companies and corporations	18	5,137,875
Banks, Development Finance Instituitios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	15	21,058,508
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	1,289	32,808,031
	1,327	105,747,811

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2016**

No. of Unit Holder	Unit holdings	Total Units Held
941	0 - 10000	3,368,055
300	10001 - 100000	10,922,353
73	100001 - 1000000	18,189,516
13	1000001	73,267,887
<u>1,327</u>		<u>105,747,811</u>

PERFORMANCE TABLE

Performance Information	2016	2015	2014	2013
Total Net Assets Value – Rs. in million	1,123	666	358	306
Net Assets value per unit – Rupees	10.62	10.27	9.65	11.36
Closing Offer Price	11.06	10.55	9.92	11.65
Closing Repurchase Price	10.62	10.27	9.65	11.36
Highest offer price per unit	11.31	12.20	12.55	12.51
Lowest offer price per unit	9.50	9.64	9.86	8.89
Highest Redemption price per unit	10.86	11.82	12.21	12.22
Lowest Redemption price per unit	9.12	9.38	9.59	8.71
Distribution per unit – Rs. *	0.05	1.25	2.57	
Average Annual Return - %				
One year	13.63	8.73	7.20	8.90
Two year	11.18	7.97	8.05	10.66
Three year	9.85	8.28	9.51	11.86
Net Income for the year – Rs. in million	(14.00)	63.89	87.45	74.91
Distribution made during the year – Rs. in million	5.16	41.41	75.23	54.58
Accumulated Capital Growth – Rs. in million	(19.16)	22.48	12.21	20.33

*** Date of Distribution**

2016	
Date	Rate

June 30, 2016 0.05

2015	
Date	Rate

June 22, 2015 1.25

2014	
Date	Rate

June 27, 2014 2.57

2013	
Date	Rate

July 04, 2013 2.02

Disclaimer

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as up.

PROXY ISSUED BY FUND FOR THE YEAR ENDED JUNE 30, 2016

The Board of Directors of MCB - Arif Habib Savings and Investment Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). During the financial year, the Management Company on behalf of the fund did not participate in 28 shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	23	23	0	0	-
(%ages)	100	100	0	0	-

Detailed information regarding actual proxies voted by the Management Company on behalf of the Fund will be provided without any charges on request of unit holders.



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